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## Ukraine

## Sugar

## Annual

## 2006

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**Report Highlights:**

Beet sugar production in Ukraine is forecast to increase in 2006 due to the expected increase in the area planted with sugar beets. Increased sugar production will help to satisfy higher sugar consumption in MY 2006/2007 despite lower forecasted imports. Sugar refining and re-export, however, are expected to decrease as a result of higher world prices, tighter import procedures and possible sugar export limitations by the Government of Ukraine.

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Includes PSD Changes: Yes  
Includes Trade Matrix: Yes  
Unscheduled Report  
Kiev [UP1]  
[UP]

### Table of Contents

<b>Executive Summary</b> .....	<b>3</b>
<b>Sugar Beet Production</b> .....	<b>3</b>
<b>Sugar Beet Trade</b> .....	<b>4</b>
<b>Beet Sugar Production</b> .....	<b>5</b>
Sugar PSD Table .....	5
<b>Consumption</b> .....	<b>5</b>
<b>Trade</b> .....	<b>6</b>
Imports .....	6
Exports .....	6
<b>Stocks</b> .....	<b>6</b>
<b>Policy</b> .....	<b>6</b>
<b>Statistical Tables</b> .....	<b>7</b>
Areas Planted and Rate of Return on Investment in Grain, Sugar Beet and Sunflower Seed Production in Ukraine from 1990-2005 .....	7
Household Consumption of Sugar and Products Containing Sugar in Ukraine in 2002-2004, kg per 100 households .....	7
Imports of Sugar into Ukraine (HS1701) .....	7
Imports of Sugar into Ukraine* .....	8
Sugar Exports From Ukraine (HS 1701) .....	8
Monthly Sugar Exports from Ukraine .....	9

## Executive Summary

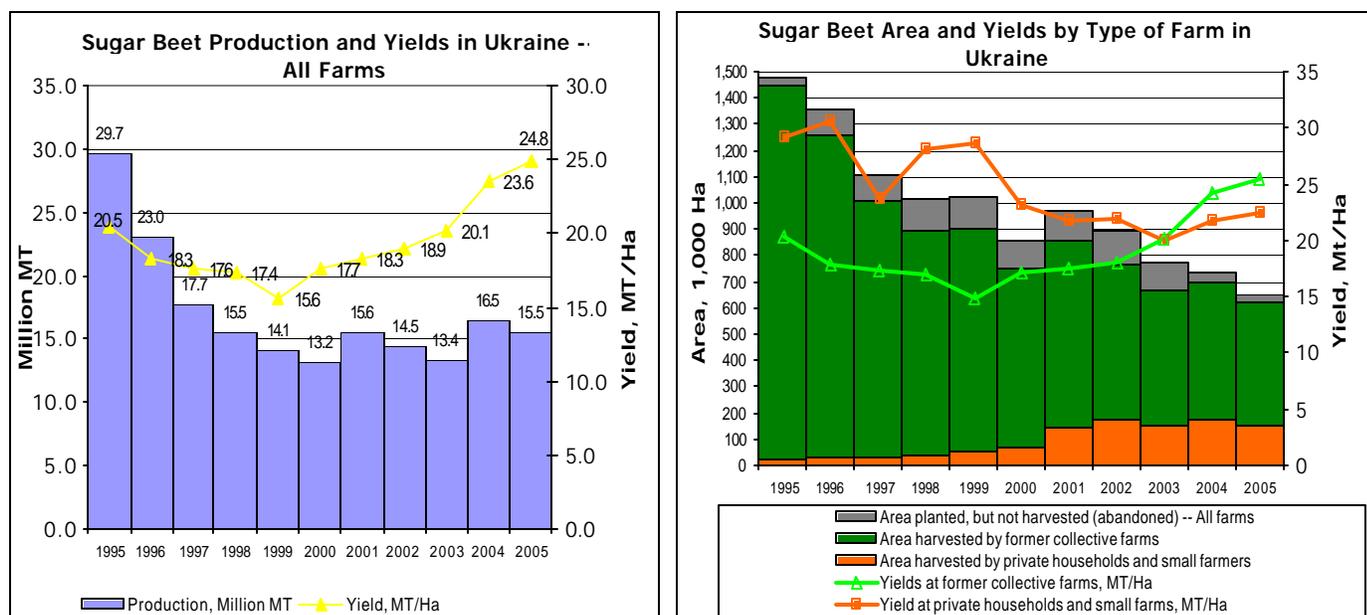
Ukrainian farmers will likely change their opinion about the unprofitability of sugar beet crops and increase the area planted with sugar beets this year. Sugar beet and beet sugar production in MY 2006/2007 are expected to increase compared with the current marketing year. Ukraine will continue to depend, however, on reduced sugar imports to meet domestic demand in MY 2006/2007. Government of Ukraine (GOU) interventions in MY 2006/2007 are not expected to have any significant impact on the market. In light of increased world and domestic sugar prices, the focus of Ukrainian sugar policy will be to ensure self-sufficiency by increasing production and, if necessary, restricting exports.

## Sugar Beet Production

Sugar beet production in Ukraine in 2006 is forecast to increase as a result of the increased area planted with sugar beets. Ukrainian farmers significantly reduced the area planted with winter wheat – Ukraine’s major crop (for more details please refer to: GAIN report UP 6001 entitled [“Winter Wheat Area Drops 19%”](#)). Therefore, farmers will have to increase plantings of spring crops in 2006 (including sugar beets) to compensate for the reduced winter wheat area. According to official Ukrainian statistics, profitability of sugar beet production to farmers increased in 2005 while the rate of return for grains and sunflower seed decreased (please refer to the table entitled “Areas Planted and Rate of Return on Investment in Grain, Sugar Beet and Sunflower Seed Production in Ukraine in 1990-2005” in the Statistical Tables Section). These factors should drive Ukrainian farmers to increase plantings of sugar beets in 2006 over 2005 levels. Increased domestic sugar prices also create additional incentives for the expansion of the sugar beet area this year.

While sugar beet yields in Ukraine are still largely determined by the weather, FAS-Kiev used a slightly higher yield than the five-year average to derive the 2006 production estimate. Sugar beet yields have been increasing in Ukraine since 1999 and were driven by the increased use of improved genetics, plant protection chemicals and equipment by former collective farms (see the graphs below). FAS-Kiev also assumed that the difference between the area planted and the area harvested would not exceed 5% in 2006.

Ukraine							
Sugar Beets							
	2005	Revised	2006	Estimate	2007	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
<b>Market Year Begin</b>		09/2004		09/2005		09/2006	MM/YYYY
Area Planted	754	754	674	674	0	730	(1000 HA)
Area Harvested	700	700	640	640	0	700	(1000 HA)
Production	16500	16500	15500	15500	0	16000	(1000 MT)
Imports	0	0	0	120	0	200	
TOTAL SUPPLY	16500	16500	15500	15620	0	16200	(1000 MT)
Utilization for Sugar	16500	16500	15500	15620	0	16200	(1000 MT)
Utilizatr for Alcohol	0	0	0	0	0	0	(1000 MT)
TOTAL UTILIZATION	16500	16500	15500	15620	0	16200	(1000 MT)



### Sugar Beet Trade

Ukraine began importing sugar beets in the current marketing year for the first time. As predicted last year, the Ukrainian sugar lobby did not permit the Ukrainian Parliament (Rada) to lower import duties on sugar (Gain Report [UP5007](#)), however, the farming lobbyists failed to notice the proposed reduction in import duty on sugar beets that went into effect in May 2005. Until May 2005, no sugar beets were imported into Ukraine because the high import duty (50% but not less than EUR 125 per 1 MT) effectively restricted trade. The Rada reduced this import duty to 20% *ad valorem* in May and the first ever imports of sugar beets (HS Code 121291) arrived for processing in September 2005.

According to official statistics, Ukraine imported a **total of 113,000 tons** of sugar beets from Belarus (71,000 tons), Poland (21,000 tons) and Lithuania (20,000 tons) in September 2005-January 2006. To account for sugar beet imports, FAS- Kiev added a separate line to the Sugar Beet PSD table.

The likelihood of increasing the import duty for sugar beets to the previous level is low because this move would complicate Ukraine's accession to the World Trade Organization. Therefore, FAS-Kiev expects that **continued sugar beet imports in MY 2006/2007** are probable (see the PSD table above).

Another reason sugar beet imports are expected to continue is the higher minimum sugar beet price (the floor price below which sugar refineries are not legally allowed to purchase beets from farmers) announced by the GOU for MY 2006/2007. On February 20, 2006, the GOU announced the increase in minimum price from UAH 170 (\$34) per 1 MT in 2005/2006 to UAH 195 (\$39/1MT) in MY 2006/2007.

## Beet Sugar Production

### Sugar PSD Table

Ukraine							
Sugar, Centrifugal							
	2005	Revised	2006	Estimate	2007	Forecast	UOM
	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	USDA Official [Old]	Post Estimate[New]	
Market Year Begin		10/2004		10/2005		10/2006	MM/YYYY
Beginning Stocks	181	181	151	144	181	164	(1000 MT)
Beet Sugar Production	1900	1900	1830	1850	0	1900	(1000 MT)
Cane Sugar Production	0	0	0	0	0	0	(1000 MT)
TOTAL Sugar Production	1900	1900	1830	1850	0	1900	(1000 MT)
Raw Imports	180	157	300	300	0	250	(1000 MT)
Refined Imp.(Raw Val)	50	61	50	50	0	50	(1000 MT)
TOTAL Imports	230	218	350	350	0	300	(1000 MT)
TOTAL SUPPLY	2311	2299	2331	2344	181	2364	(1000 MT)
Raw Exports	0	0	0	0	0	0	(1000 MT)
Refined Exp.(Raw Val)	60	55	50	30	0	20	(1000 MT)
TOTAL EXPORTS	60	55	50	30	0	20	(1000 MT)
Human Dom. Consumption	2100	2100	2100	2150	0	2200	(1000 MT)
Other Disappearance	0	0	0	0	0	0	(1000 MT)
Total Disappearance	2100	2100	2100	2150	0	2200	(1000 MT)
Ending Stocks	151	144	181	164	0	144	(1000 MT)
TOTAL DISTRIBUTION	2311	2299	2331	2344	0	2364	(1000 MT)

Production of beet sugar in MY 2006/2007 is forecast to increase slightly from the revised estimate for the current marketing year due to the anticipated increase in sugar beet production. The GOU slightly increased the size of Quota "A" (sugar supply to the domestic market) **in MY 2006/2007 to** 1.84 million tons (refined basis) from 1.79 million tons for the current marketing year. The government also predicts that 185,000 tons of sugar produced within Quota "B" (exports under government-to-government agreements) in MY 2006/2007 likely will be diverted to the domestic market if necessary.

FAS-Kiev slightly increased the MY 2005/2006 production estimate to reflect processing of imported sugar beets.

### Consumption

Sugar consumption will likely continue to increase at a slow rate in **MY 2006/2007** due to higher use by the food processing industry. Ukrainians continue to consume sugar primarily in a refined form and often use sugar in home canning. Historical information on sugar, sugar substitute consumption and consumption of sugar by households in Ukraine is provided in the Statistical Tables Section.

## Trade

### Imports

Imports of raw cane sugar will likely decrease in **MY 2006/2007**, compared with the current marketing year due to the expected increase in beet sugar production. The import estimate for **MY 2005/2006** remains unchanged at this point. It is very unlikely that the new Ukrainian parliament will review and approve a sugar tariff-rate-quota (TRQs) for MY 2005/2006 before the end of May 2006.

The import estimate for **MY 2005/2006** remains unchanged. See the "statistical tables section" for more information on imports to-date.

### Exports

The forecast for sugar exports in **MY 2006/2007** was slightly reduced from the revised MY 2005/2006 estimate. Ukrainian exporters have relied heavily on imported raw cane sugar for refining. Local sugar refining and re-export for the next marketing year are expected to decrease as a result of the recent increase in world prices, tighter domestic import and processing control procedures, and a move by GOU to limit sugar exports.

The sugar export estimate for **MY 2005/2006** was slightly reduced to reflect the lower than expected level of exports to date. A new sugar refinery built in Azerbaijan is capable of processing 300,000 tons of raw cane sugar per year and will increase the competition in Former Soviet Union countries. See the Statistical tables section for more information on imports to-date.

### Stocks

Despite existing legislative provisions that are currently in place, the GOU has been unable to create an effective sugar intervention mechanism that affects the stocks. FAS-Kiev expects that sugar stocks will slightly decline by the end of MY 2006/2007 due to the expected increase in sugar consumption.

### Policy

On February 20, 2006, the GOU announced an increase in the minimum price for refined sugar sold in the domestic market in MY 2006/2007 to UAH 2,850 per ton (\$569) – a 20% increase from the current marketing year's level. This increase correlates with the increase in sugar beet prices mentioned above. The minimum sugar price established by the government is not expected to have any significant impact on market prices in MY 2006/2007. Wholesale sugar prices have exceeded the minimum price level in the current marketing year. See [October 2006 Sugar Update Report](#) for price information.

As a consequence of the sharp increase in both refined and raw sugar prices that began in November 2005, the GOU introduced export licensing. The GOU can utilize the export licensing mechanism to restrict sugar exports in MY 2005/2006 and 2006/2007 to prevent possible sugar shortages in the domestic market.

## Statistical Tables

## Areas Planted and Rate of Return on Investment in Grain, Sugar Beet and Sunflower Seed Production in Ukraine from 1990-2005

	1990	1995	2000	2001	2002	2003	2004*	2005**
Area planted with grains and pulses, 1,000 hectares	14,583	14,152	13,646	15,586	15,448	12,495	15,517	15,005
<b>Rate of return for Grains, %</b>	<b>275%</b>	<b>86%</b>	<b>65%</b>	<b>43%</b>	<b>19%</b>	<b>46%</b>	<b>20%</b>	<b>3%</b>
Area planted with sunflowerseed, 1,000 hectares	1,636	2,020	2,943	2,502	2,834	4,001	3,459	3,743
<b>Rate of return for Sunseed, %</b>	<b>237%</b>	<b>171%</b>	<b>52%</b>	<b>69%</b>	<b>78%</b>	<b>64%</b>	<b>45%</b>	<b>25%</b>
Area planted with sugar beets, 1,000 hectares	1,607	1,475	856	970	897	773	754	652
<b>Rate of return for Sugar beets, %</b>	<b>30%</b>	<b>31%</b>	<b>6%</b>	<b>2%</b>	<b>-9%</b>	<b>6%</b>	<b>-1%</b>	<b>6%</b>

Data source: State Statistics Committee of Ukraine.

\*final data, \*\*-preliminary estimate

## Household Consumption of Sugar and Products Containing Sugar in Ukraine in 2002-2004, kg per 100 households

Products	2002		2003		2004		Change in quantity, 2004 from 2003, %	Change in price, 2004 from 2003, %
	Quantity kg	Price UAH/kg	Quantity kg	Price UAH/kg	Quantity kg	Price UAH/kg		
Sugar	8,857	2.49	8,404	2.78	8954	2.72	7%	-2%
Other types of sugar and sugar substitutes	6	7.18	5	10.09	5	9.28	8%	-8%
Jam	46	5.01	41	4.74	50	5.24	21%	11%
Natural Honey	272	9.16	190	12.66	250	13.50	31%	7%
Artificial Honey	8	4.28	5	4.34	7	4.56	42%	5%
Chocolate	na	na	92	22.51	102	25.20	11%	12%
Caramel	626	6.57	592	6.88	662	7.37	12%	7%
Marmalade	99	6.23	135	6.13	171	6.57	27%	7%
Other Sweets	24	12.43	34	11.19	50	11.21	46%	0%
Chocolate candies	na	na	388	13.18	503	14.52	30%	10%
Ice cream	185	9.22	360	9.43	416	9.76	15%	3%

Data source: State Statistics Committee of Ukraine's Sample Survey of Households' Incomes and Expenditures.

Note: there were 17,975,774 households in Ukraine in 2002

## Imports of Sugar into Ukraine (HS1701)

	Oct 03-Sep 04	Oct 04-Sep 05	Oct 04-Jan 05	Oct 05-Jan 06
Brazil	269,188	158,567	21,039	25,805
Lithuania	15,000	24,000	18,000	40
Kazakhstan	5,440	13,035	0	13,313
Poland	12,634	10,627	64	0
United States	22,086	8,131	8,130	0
United Kingdom	20	322	80	3
Russia	16,251	80	0	0
Germany	65	73	21	17
Kyrgyzstan	0	64	0	0
Oters Not Listed	217,974	121	46	12,949

Total	558,658	215,020	47,379	52,127
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## Imports of Sugar into Ukraine\*

MY 03/04	Refined Sugar (HS Code 170199)	Raw Cane Sugar (HS Code 170111)	MY 04/05	Refined Sugar (HS Code 170199)	Raw Cane Sugar (HS Code 170111)	MY 05/06	Refined Sugar (HS Code 170199)	Raw Cane Sugar (HS Code 170111)
Oct-03	1,492	49,501	Oct-04	1,021	10,935	Oct-05	1,449	17,000
Nov-03	4,858	56,285	Nov-04	13,214	10,110	Nov-05	660	7,805
Dec-03	9,781	75,054	Dec-04	5,049	0	Dec-05	4,656	13,742
Jan-04	2,576	51,810	Jan-05	7,043	0	Jan-06	6,803	3
Feb-04	3,026	48,703	Feb-05	4,023	0.5		13,567	38,550
Mar-04	13,319	27,167	Mar-05	2,246	0		0	0
Apr-04	7,600	42,395	Apr-05	308	10,611		0	0
May-04	3,132	18,829	May-05	10,398	0		0	0
Jun-04	5,073	0	Jun-05	737	0		0	0
Jul-04	3,481	113,901	Jul-05	2,126	0		0	0
Aug-04	319	6,317	Aug-05	7,497	125,917		0	0
Sep-04	2,437	4,679	Sep-05	2,688	1,080		0	0
<b>Total</b>	<b>57,094</b>	<b>494,643</b>		<b>56,349</b>	<b>158,653</b>		<b>27,134</b>	<b>77,099</b>

\*As is basis.

Data Source: State Statistics Committee of Ukraine

## Sugar Exports From Ukraine (HS 1701)

Declared destinations	Oct 03- Sep 04	Oct 04- Sep 05	Oct 04- Jan 05	Oct 05- Jan 06
Moldova	98,631	32,874	13,716	1,037
Poland	0	9,406	0	0
Afghanistan	3,355	3,607	0	0
Uzbekistan	1,009	2,704	2,704	0
Georgia	39,508	1,302	1,302	3,101
Kazakhstan	9,354	400	0	5,360
Russia	2,884	44	0	0
Italy	0	20	20	0.007
Latvia	36	20	20	0
Others Not Listed	131,781	39	9	7
<b>Total</b>	<b>286,558</b>	<b>50,416</b>	<b>17,772</b>	<b>9,505</b>

Data Source: State Statistics Committee of Ukraine

**Monthly Sugar Exports from Ukraine**

Month	1,000 MT	Month	1,000 MT	Month	1,000 MT	Month	1,000 MT
Oct-02	27	Oct-03	46	Oct-04	0	Oct-05	1
Nov-02	24	Nov-03	33	Nov-04	11	Nov-05	3
Dec-02	10	Dec-03	65	Dec-04	5	Dec-05	3
Jan-03	10	Jan-04	12	Jan-05	2	Jan-06	3
Feb-03	10	Feb-04	5	Feb-05	4		
Mar-03	17	Mar-04	39	Mar-05	6		
Apr-03	18	Apr-04	25	Apr-05	2		
May-03	42	May-04	19	May-05	4		
Jun-03	36	Jun-04	14	Jun-05	3		
Jul-03	68	Jul-04	12	Jul-05	2		
Aug-03	44	Aug-04	15	Aug-05	7		
Sep-03	29	Sep-04	1	Sep-05	6		
<b>MY 02/03</b>	<b>334</b>	<b>MY 03/04</b>	<b>287</b>	<b>MY04/05</b>	<b>51</b>	<b>MY05/06- to date</b>	<b>10</b>

Data Source: State Statistics Committee of Ukraine (HS 1701)